

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1723 - SB 1975

February 11, 2014

**SUMMARY OF BILL:** Requires medical assistance under Title 71, Chapter 5, and any federal waiver authorized by Title 71, Chapter 5, to be extended to provide the full extent of the Medicaid eligibility expansion permitted by the Patient Protection and Affordable Care Act (P.L. 111-148) for which the enhanced federal financial assistance matching rate is 100 percent. This mandated expansion will continue in effect only so long as the federal financial assistance matching rate is 100 percent for the expansion population. When such matching rate ceases, the eligibility criteria for medical assistance is required to return to the criteria in place on January 1, 2014.

**ESTIMATED FISCAL IMPACT:**

**Increase Federal Expenditures - \$1,000,101,000/FY14-15**  
**\$1,135,858,000/FY15-16**  
**\$616,922,800/FY16-17**

Assumptions:

- Title II, § 2001(a)(1) of the Act (42 U.S.C. § 1396a(a)(10)(A)(i)(VIII)), requires expansion of Medicaid coverage eligibility to adult individuals under the age 65, who are not pregnant or disabled, with income that does not exceed 133 percent of the federal poverty level (138% with the mandatory 5 percent income disregard). Under the Act, if a state chose not to expand coverage, then the state would not be compliant with 42 U.S.C. § 1396a and could lose Medicaid funding pursuant to 42 U.S.C. § 1396c.
- The United States Supreme Court held that the mandatory expansion of the population groups eligible for Medicaid coverage is unconstitutional in *National Federation of Independent Business v. Sebelius*. If a state chooses not to expand the state's Medicaid coverage to the newly eligible expansion population group, then the state will not jeopardize Medicaid funding for coverage of individuals eligible under federal law prior to enactment of the Act for that reason.
- The bill requires the Bureau of TennCare (the Bureau) to cooperate with the appropriate federal department in any reasonable manner as may be necessary to implement the Act, as amended, to the extent required or permitted by law. The bill will require the Bureau to expand coverage to the newly eligible expansion population group.
- Title II, § 2001(y) of the Act (42 U.S.C. § 1396d(y)), increases the Federal medical assistance percentage (FMAP) applied to spending by states that expand Medicaid coverage eligibility to the expansion population with respect to medical assistance

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provided to that population. In federal calendar quarters 2014, 2015, and 2016 the increased FMAP will be 100 percent.

- In 2017, the FMAP will decrease to 95 percent and the state will incur 5 percent of the costs. Under the provisions of the bill, the state eligibility for Medicaid will go back to the eligibility criteria as of January 1, 2014.
- According to the Bureau, if Medicaid coverage eligibility is expanded in Tennessee, then there would be approximately 161,900 newly eligible TennCare enrollees in FY14-15 resulting in an increase in federal expenditures of \$1,000,100,900 to cover 100 percent of the cost for these new enrollees.
- The following table provides a breakdown of the estimated total federal costs (based on a 6.7 percent inflation rate) should the state expand the Medicaid population under the Affordable Care Act (assumes July 1, 2014 expansion date):

Fiscal Year	Estimated Number of Enrollees	PMPM Cost	Months in Fiscal Year Affected	Total Federal Cost
FY14-15	161,900	\$ 514.773	12	\$ 1,000,100,984
FY15-16	172,300	\$ 549.361	12	\$ 1,135,857,972
FY16-17	175,400	\$ 586.272	6	\$ 616,992,796

**IMPACT TO COMMERCE:**

**Other Impact – The estimated fiscal impact to commerce in the state as a result of the proposed legislation cannot be reasonably determined due to a number of unknown factors.**

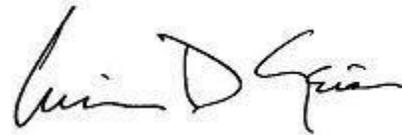
Assumptions:

- Whether the state decides to expand the Medicaid population or not, there could be varying degrees of economic impact to the health care industry as a whole in the state of Tennessee including but not limited to health insurance companies, hospitals, clinics, individual health care providers, and pharmacists.
- According to the Bureau of TennCare, there are approximately 161,900 individuals who would be eligible for healthcare under the expansion.
- If the state chooses to expand Medicaid, these individuals would now be enrolled in TennCare and could receive health care services that they are not currently seeking which could result in increased business for health insurance companies contracted with the state and health care providers within the TennCare network.
- If the state chooses not to expand Medicaid, some of these individuals could obtain health insurance coverage through a private insurance company. These individuals would no longer be uninsured and could receive health care services that they are not currently seeking. Depending on the health status of these individuals, this could result in a positive or negative financial impact to the individual health insurance companies.

- Health care providers could incur economic impacts depending on the type of insurance and the medical coverage that is obtained by these individuals after receiving coverage versus the type of care the individual is receiving as an uninsured individual. Also, the cost for services can differ depending on health coverage, network discounts, etc.
- Due to a number of unknown factors which include, but are not limited to, the number of individuals who would obtain health insurance through the private sector, the health status of those individuals, the type of health insurance plan that would be offered, and the variation in costs for health care services, a reasonable estimate of the impact the proposed legislation may have on commerce is undeterminable.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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